

DOMINION

STORES LIMITED

20TH ANNUAL REPORT
1939

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DOMINION

STORES LIMITED

20TH ANNUAL REPORT

FISCAL YEAR ENDING DECEMBER 31ST

1939

DOMINION STORES LIMITED

SULLIVAN STREET
TORONTO 2

SMITH STREET
MONTREAL

DIRECTORS

STEWART G. BENNETT	J. WILLIAM HORSEY
MME. PIERRE F. CASGRAIN	JOHN B. JAMESON
ROLPH R. CORSON	RICHARD O. JOHNSON
FRANCOIS FAURE	N. L. NATHANSON
E. GORDON WILLS	

OFFICERS

President	J. WILLIAM HORSEY
Chairman of the Board	E. GORDON WILLS
Vice-President	RICHARD O. JOHNSON
Vice-President	LOUIS D. SQUAIR
Secretary-Treasurer	GEORGE NICOL

TRANSFER AGENTS

THE TRUSTS AND GUARANTEE COMPANY LIMITED, TORONTO, CANADA.
THE ROYAL TRUST COMPANY, MONTREAL, CANADA.

REGISTRARS

CHARTERED TRUST & EXECUTOR COMPANY, TORONTO AND MONTREAL.

BANKERS

THE IMPERIAL BANK OF CANADA	THE BANK OF NOVA SCOTIA
THE CANADIAN BANK OF COMMERCE	THE BANK OF TORONTO
BANQUE CANADIENNE NATIONALE	

PRESIDENT'S REPORT

TO THE SHAREHOLDERS OF DOMINION STORES LIMITED

WITH the continuance of general policies outlined in our last Annual Report and addition of further fundamental changes, your Management wishes to report that the programme for the improvement and modernization of your operations, begun in May, 1938, was definitely advanced during the past year.

Because of the widespread, complex character of your business, the programme is one of such magnitude that more time is being required to bring it to completion than might have appeared necessary at the outset. We are building for a permanent result and accordingly are trying to avoid recourse to expedients which might result in merely temporary rather than lasting improvement.

While we are unable to report a profit for the past year, at least two important objectives have been reached. Average weekly volume of business per unit increased 15.95%, and operating expenses have shown a decrease. The last quarter of 1939 showed a net profit as compared with a loss for the corresponding quarter of the preceding year and as compared with a loss for the full year of 1939. It is hoped that this record will continue during 1940.

OPERATING RESULTS

Sales for the year showed an increase of \$1,098,419.64 or 5.84%, despite the fact that at the end of 1939 the Company operated 378 stores, compared with 464 at the end of 1938.

Inventories at \$1,377,469.84 at the end of 1939 represent a reduction of \$374,025.41.

The cost of operating stores was reduced \$109,918.82 during 1939 as compared with 1938. General overhead expenses were reduced \$98,516.88—a total reduction in operating expense of \$208,435.70.

This reduction was accomplished with an increased volume of sales, and in face of certain rising costs and extraordinary expenses incident to our reconstruction programme.

While closing a large number of unprofitable stores, particularly during the last quarter of the year, contributed to the decrease in cost of operating stores, the major part is attributable to increased efficiency throughout the operation. The same improved operation is reflected in the reduction of general overhead expense.

In the course of the year, a careful examination of the Company's equipment, including furniture, fixtures, and improvements to leasehold premises, was made by the Officers of the Company. A comparison of this appraisal with the net book value of these assets has convinced the Management that as a result of the liberal provisions for depreciation in previous years a lower charge is now justified.

Operating results show a net loss of \$125,207.63 after all charges, including taxes and depreciation.

Contributing to this loss are substantial items of non-recurrent expense incident to the reorganization programme and other non-recurring general expenses. Included are such items as: liquidation of discontinued lines, extraordinary cost of closing stores, ample provision for contingent taxes now the subject of negotiation, delisting stock from the New York Stock Exchange, and listing stock on the Montreal Stock Exchange.

FINANCIAL

Due to capital outlays in the reorganization of our stores, the acquiring of thirty Toronto stores formerly operated by Stop & Shop Limited, and the operating loss for the year, net working capital has declined \$130,372.27. It should be noted, however, that this working capital remains substantial

PRESIDENT'S REPORT (CONTINUED)

at \$2,041,862.87 and that the ratio of current assets to current liabilities, which was 3.57 at the end of 1938 has improved to 5.10 at the end of 1939. Cash and call loans alone total almost double all current liabilities. Because of this strong cash position we were glad to be able to contribute to the common war effort by applying for \$100,000 bonds in the Dominion Government First War Loan offering.

As at the end of December, 1939, the net worth of your Company was \$2,949,698.82. This capital is being used to the advantage of Canadian producers, whose goods we distribute, and of Canadian consumers, whose food requirements we meet at low cost, as well as to the advantage of a large group of Canadian workers for whom we provide steady employment.

It is five years, however, since the owners of this capital, or the shareholders, have had any return on their investment. It is now our hope that the work which has been done in strengthening our personnel, in increasing the efficiency of the operation, and in improving our services to the public since the present Management took over in May, 1938, is going to be productive of more satisfactory results for the investors whose funds have made this business possible.

MERCHANDISING

Keeping pace with keen competition and resultant lowered profit margins, we have undertaken far-reaching changes in our methods of merchandising. The programme involves:

- (1) Opening new groceteria units.
- (2) Converting other stores to groceteria operation.
- (3) Closing unprofitable units.

This modernization programme is proceeding as rapidly as possible, considering the time necessary for the selection and securing of desirable locations, the reconstruction of stores, and the selection and training of personnel required to operate the groceteria type of store.

Actually during the year, January 1st to December 31st, 1939, a total of 133 units have been closed. (New units opened and the acquisition of Stop & Shop stores adjust this figure to a net of 86 less units operating at the end of 1939.) The total cost of closing stores and opening new stores was \$58,730.66 in 1939 as compared with \$31,297.29 in 1938.

It is a definite policy of the Management, all factors considered, not to continue in operation any unit which, after a fair trial, is shown to be incapable of paying its way. The business of Dominion Stores Limited is made up of several hundred departments (grocery and meat) which must each operate profitably. The total of these is the Company operation.

Further improved control of inventories was developed during 1939, assuring more rapid turnover of merchandise. Discontinued lines were liquidated with the result that inventories at the end of the year consisted only of goods currently moving. A stricter buying policy is in effect, designed to prevent the acquisition of merchandise which would retard turnover and become costly to the Company.

Other changes in policy have been instituted calculated to reduce the cost of operation, such as restricted credit and delivery in service type units and elimination of unnecessary work in all store units, so as to increase the volume of sales per man.

A policy of aggressive merchandising of Dominion private brand products is proceeding with encouraging results. Despite the greatly reduced number of stores, sales of such staples as Richmello Coffee increased 38% during 1939 as compared with 1938. Domino Tea increased 55%, Butter 40%, and Eggs 124%.

DECENTRALIZATION

Operating as it does over 234,000 square miles of territory, your Company is unlike any other chain store operation in Eastern Canada. We serve four provinces, dozens of cities and many towns, with thousands of customers of diversified types and diversified means. The type of customer and locality being so essentially varied, it is not conceivable that all problems of buying and selling can

be solved from one central point. Therefore the operation has been divided into six natural districts which have been placed under the jurisdiction of District Managers with offices at London, Toronto, North Bay, Ottawa, Montreal, and Halifax.

These Managers, who are experienced men, have been given the responsibility of profitably operating the units under their jurisdiction. They are, of course, responsible to the Executive Management, but they may buy and sell according to the requirements of the territories in their charge in co-operation with, and according to, policies laid down by the Head Office.

This system of decentralization through District Management assures a quicker solution of local problems and more intimate contact of District Office staffs with the entire District personnel. Closer contact of the District Management with Head Office makes possible a better comprehension of broad Company problems. Established during the latter half of 1939, the plan has already demonstrated its effectiveness. The functions of District Management will be further developed in 1940.

PERSONNEL

Additional changes in Management have been found necessary, involving all key positions. Men now occupying these positions are experienced chain store operators. In May, 1939, Mr. L. D. Squair was elected Vice-President. Mr. Squair is a man of wide experience in the chain store field, including both service and self-service operations.

A new standard scale of salaries covering store managers, clerks, and delivery boys has been established, assuring more satisfactory wages being paid to these employees. The initial cost of such a plan is considerable, but cannot fail to produce desired results.

Your President is pleased to confirm, from personal observation, frequently heard reports of improved esprit de corps among our store staffs and other employees. During the last few months he has personally contacted the majority of our store staffs, from the managers down to the delivery boys. The change of attitude, as reflected in a new confidence, enthusiasm, and spirit of co-operation is most encouraging.

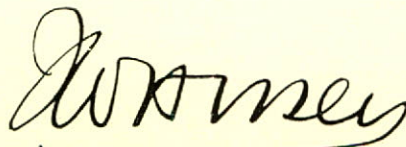
These personal visits and our new house organ, "The Cracker Barrel", form a programme of building Company spirit among our employees, the success of which is already evident in many ways. In this connection we may say that, at their request, we shall be pleased to add to the mailing list for our house publication the names of any shareholders who would like to receive it.

PUBLIC RELATIONS

Public relations work, consistently promoted by your Company, has contributed to an improved public understanding of the value of organizations such as ours and an evident change of attitude among legislators. Recent press reports indicate a desire on the part of public officials to deal with tax problems on an equitable basis and also a recognition of the fact that discriminatory taxation is not in the public interest.

With the constructive measures adopted during 1939 becoming increasingly operative, accompanied by the all-important factors of our personnel's enthusiasm and co-operation, for which the Management is grateful, we feel that your Company is in a position to meet whatever changes the year 1940 may bring, whether in the industry or in the general economic field.

Respectfully submitted,



J. William Horsey,
President.

DOMINION STORES

BALANCE SHEET AS AT 31st DECEMBER 1939

ASSETS

CURRENT:

Cash on Hand and in Banks	\$649,391.00	
Call Loans (Secured by Marketable Securities)	326,200.00	
Accounts Receivable	\$214,358.41	
Less: Reserve for Doubtful Accounts	27,802.34	
		186,556.07

Merchandise:

Inventories in the Company's warehouses and meats determined by physical count as at 31st December, 1939, store inventories of groceries by physical count prior to 31st December, 1939 and adjusted to that date, groceries valued at current replacement costs and meat at cost	1,377,469.84	
		\$2,539,616.91

DEFERRED CHARGES AND PREPAID EXPENSES	47,040.49
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FIXED: (At Cost—less amounts written off)

Furniture, Fixtures and Improvements to Leasehold Premises	\$1,395,016.72	
Less: Reserve for Depreciation	923,853.35	471,163.37
Buildings	429,268.26	
Less: Reserve for Depreciation	128,234.50	301,033.76
Automobiles	2,317.08	
Less: Reserve for Depreciation	1,384.30	932.78
Land	127,664.55	900,794.46

GOODWILL	1.00
	<u>\$3,487,452.86</u>

AUDITORS' REPORT TO SHAREHOLDERS

We have examined the books and accounts of Dominion Stores Limited for the year ended 31st December 1939 and find them to be correct and in accordance with the requirements of the Companies Act, 1929, as amended, and the regulations made thereunder.

We report that, in our opinion, the above Balance Sheet is properly drawn up so as to give a true and correct view of the state of affairs of the Company at the end of the year, and that the accounts are in accordance with the information and the explanations given to us and as shown by the books of the Company.

TORONTO, 17th February, 1940.

ORES LIMITED

31st DECEMBER, 1939

LIABILITIES

CURRENT:

Accounts Payable and Accrued Charges	\$456,043.65	
Provision for Taxes	41,710.39	\$497,754.04

RESERVE FOR FUTURE FIRE LOSSES	40,000.00
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CAPITAL AND DEFICIT:

Capital—

Authorized:

50,000 Shares 6½% Cumulative Preferred Stock of a Par
Value of \$100.00 each.

1,000,000 Shares Common Stock of No Par Value.

Issued:

280,014 Shares Common Stock

3,100,339.96

Deficit (Per Statement No. 3)

150,641.14

2,949,698.82

APPROVED ON BEHALF OF THE BOARD:

R. O. JOHNSON }
J. W. HORSEY } Directors.

\$3,487,452.86

THE SHAREHOLDERS

ended 31st December, 1939 and we have obtained all the information and explanations which we

to exhibit a true and correct view of the state of the Company's affairs, according to the best of

(Signed) McDONALD, CURRIE & CO.,
Chartered Accountants.

DOMINION STORES LIMITED

INCOME and EXPENDITURE FOR THE YEAR ENDED 31st DECEMBER, 1939

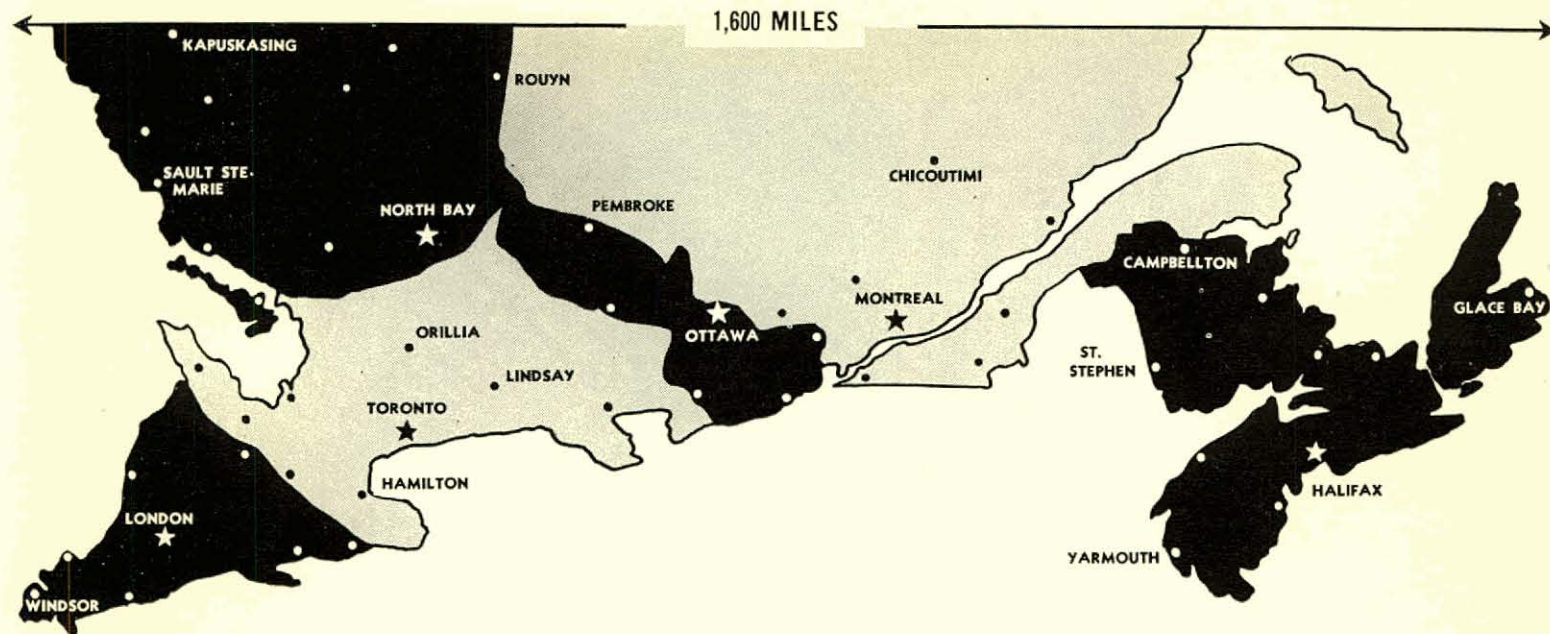
Sales		\$19,909,039.58
Cost of Sales, Selling and Administrative Expenses other than those shown below	\$17,694,707.66	
Wages and Salaries, other than executive	2,101,838.31	
Taxes and Licenses	132,152.01	19,928,697.98
Operating Loss		19,658.40
Deduct: Interest Earned		9,995.58
		9,662.82
Add:		
Provision for Depreciation of Fixed Assets	60,580.91	
Executive Salaries	46,666.64	
Directors' Fees	1,620.00	
Legal Fees	6,677.26	115,544.81
Loss for Year		\$125,207.63

DEFICIT ACCOUNT AS AT 31st DECEMBER, 1939

Balance at Debit at 31st December, 1938	\$ 38,631.51
Deduct: Refund of 1938 Group Insurance Premiums	13,198.00
	25,433.51
Add: Loss for Year (Statement No. 2)	125,207.63
Balance at Debit at 31st December, 1939	\$150,641.14

NEW DISTRICT SYSTEM OF OPERATION

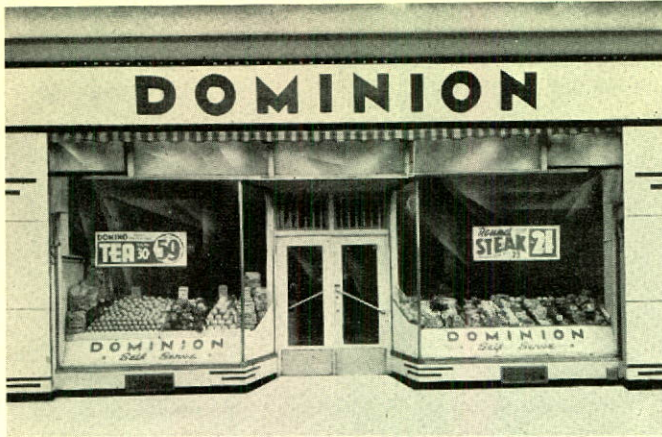
Established 1939



TORONTO	operating	153	STORES
MONTREAL	"	68	"
OTTAWA	"	40	"
HALIFAX	"	33	"
LONDON	"	57	"
NORTH BAY	"	27	"
Total		378	"

Territory served by Dominion Stores—234,000 square miles between Sault Ste. Marie, Ont., and Glace Bay, Nova Scotia, is now divided into six natural districts. Greater decentralization makes possible adaptation of merchandising plans to local peculiarities . . . more intimate contacts between District and Head Office personnel.

NEW TYPE GROCETERIA



Store Fronts are striking and attractive—an index to streamlined interiors.

Here are different views of a typical Dominion Groceteria unit, now replacing many of the older service stores.

Designed by specialists in self-service operation, the new Dominion Groceterias are attracting considerable attention because of their many exclusive features.

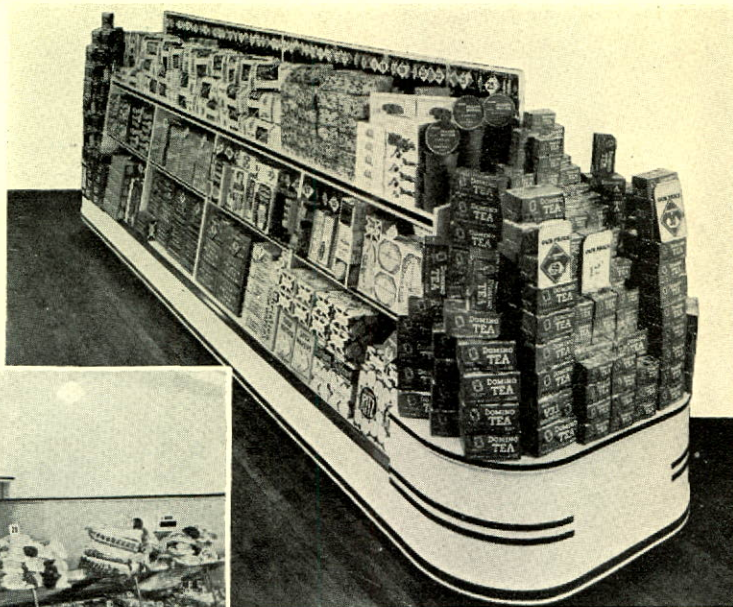
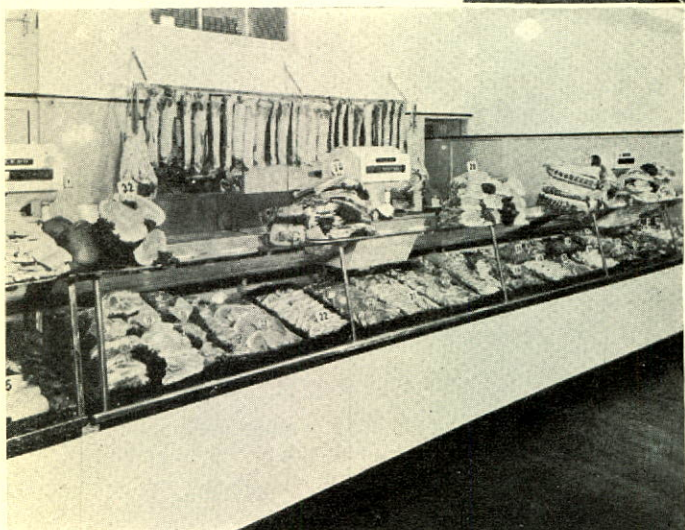
DOMINION SELF-SERVE



Store Layouts achieve a distinctly home-like atmosphere while providing maximum display of merchandise and convenient handling of store traffic.

UNITS

Meat Departments register a new high in attractiveness. Modern refrigerated cases increase display opportunity, offer greater variety and ease of selection.



New Island-type Displays—designed and built by Dominion—provide easy access to well-displayed merchandise.

There are no protruding corners to obstruct easy movement of traffic. They are built off the ground for sanitation.



Fruit Departments are linked to window displays by a clever arrangement. New "hopper-type" units provide colorful display of fruits and vegetables, assure continually fresh stock.

VETERANS IN THE COMPANY SERVICE

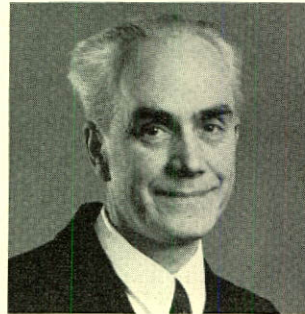
These Dominion Stores employees have each served the Company more than 19 years — an aggregate service of 160 years. Four will attain their "majority" in Dominion Stores' employ in 1941.



W. DIVORTY



F. BURGESS



S. ADIN



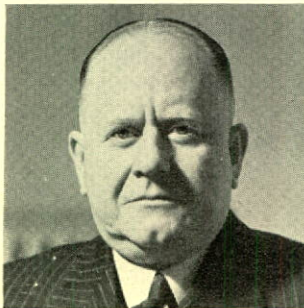
P. DUNLOP



W. BELL



W. H. HALL



M. R. STICKNEY



S. DARRAGH

Best pledge of a company's success is the loyalty, enthusiasm, and comradeship of its employees. Dominion Stores is proud of the evident growth of Company *esprit de corps* among store staffs and other branches of service.

More than 323 Dominion employees have been with the Company for over 10 years. Service Pins for 15, 10, and 5 years' service were presented during 1939 as follows:

15 Years' Service—31 Pins
10 Years' Service—92 Pins
5 Years' Service—79 Pins



TEST KITCHENS SEAL BUILDS SALES OF DOMINION'S OWN BRANDS

Public acceptance, fostered by the Dominion Test Kitchens' Seal of quality, is building new sales records for exclusive Dominion Products.

The Test Kitchens' Seal is our guarantee that the product is regularly tested at Dominion Test Kitchens, assuring that Dominion's standards of quality are faithfully maintained.

Your company values your support in using these fine products regularly—and recommending them to your friends.

